






# “Determinants of tax compliance of micro, small, and medium enterprises (MSMEs) in Pekanbaru, Indonesia”

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# DETERMINANTS OF TAX COMPLIANCE OF MICRO, SMALL, AND MEDIUM ENTERPRISES (MSMES) IN PEKANBARU, INDONESIA

## Abstract

Taxes are the most significant contributor to the Indonesian budget; therefore, increasing taxpayer compliance is crucial for achieving tax revenue realization. This study aims to investigate the role of tax incentives and motivational postures in increasing taxpayer compliance. The analysis was conducted in Pekanbaru, Riau, Indonesia, and the sample consisted of MSME taxpayers registered at the Pekanbaru Tax Service Office. Purposive sampling was utilized to collect data, and of the 384 returned questionnaires, 254 were used for statistical analysis. Multiple regression analysis was utilized to examine the impact of tax incentives on taxpayer compliance, and moderated regression analysis was applied to test the moderating role of motivational postures. The findings showed that the p-values of the first and second hypotheses were 0.00 and 0.001 (0.05, with a positive  $\beta$  value), and the third hypothesis had 0.001 ( $< 0.05$ , with a negative  $\beta$  value). This result indicates that the first, second, and third hypotheses are accepted, which means that the more taxpayers feel that tax incentives are beneficial, the greater their compliance with their tax responsibilities. Additionally, tax incentives significantly raise taxpayer compliance when they have a positive motivational posture and decrease it if they have a negative one. The implications of this study influence tax authorities to incentivize taxpayers to increase compliance. Knowledge of the taxpayer's motivational postures will make it easier for tax authorities to manage taxpayer behavior to increase taxpayer compliance.

**Keywords** taxes, incentives, motivation, taxpayers, compliance

**JEL Classification** H71, M48

## INTRODUCTION

As a fiscal instrument, tax revenue is significant as the lifeblood of a country's establishment and operation. For this reason, the government must pay attention so that taxpayers comply with and pay the taxes they are obliged to pay. Micro, small, and medium enterprises (MSMEs) are a developed industry in Indonesia with significant tax revenue potential. MSMEs must receive serious policy attention from the government in their development so that compliance with paying taxes can be optimal. To realize tax revenue, which is a sizable source of funds for the State Revenue and Expenditure Budget, the government must work together with taxpayers as a tax apparatus to achieve this goal. Recently, the taxpayer compliance ratio released by the Directorate General of Taxes (DGT) has shown that taxpayer obedience has been less than ideal. According to OECD (2022), Indonesia's tax compliance rate is still 9.11%, below the World Bank's 15%. This ratio is lower than that achieved in other ASEAN countries. Based on OECD (2022), for 2021, the tax ratios for Malaysia, Singapore, and the Philippines were 15%, 13.6%, and 14.6%, respectively. Ministry of



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Finance data also show that from 2016 to 2020, the level of taxpayer compliance in Indonesia still ranges from 61% to 77.63% (Hariyani, 2021). The government hopes that providing tax facilities to taxpayers, such as tax incentives, will benefit MSME taxpayers in paying the taxes they are obligated to pay.

An acceleration in MSME taxpayer compliance is expected to increase state revenue from tax revenues above the government's expectations. To increase state revenue, taxpayers must have an optimal compliance level. Therefore, the government must make various efforts to increase taxpayer compliance. The government can provide a stimulus in the form of tax incentives, which can reduce the tax burden. In addition to providing incentives, a taxpayer's motivational posture also increases taxpayer compliance. A positive motivational posture is expected to increase taxpayer compliance, which has previously increased owing to the provision of incentives.

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## 1. LITERATURE REVIEW

The taxation system in Indonesia, among other things, adheres to a self-assessment method wherein people voluntarily complete their tax duties. In this system, the tax authority gives authority and responsibility to taxpayers to determine the extent of tax obligations they must carry out, but by the applicable regulations. Thus, taxpayers must ascertain their tax liabilities, fulfill their payment duties, and report their taxes accurately and on time. Taxpayers' compliance is realized if the taxpayer is willing to carry out their tax-related obligations by implementing and effectively enforcing relevant regulations without needing an audit, thorough investigations, warnings or threats, or using legal and administrative penalties. According to Andreoni et al. (1998), tax compliance is a taxpayer's desire to comply with tax rules to achieve economic equilibrium within a nation. According to Song and Yarbrough (1978), taxpayer compliance refers to the capacity and inclination to adhere to relevant tax regulations, as influenced by ethical considerations, the legal context, and various situational elements within a specific temporal and spatial framework. Based on the definitions above, it can be inferred that a compliant taxpayer knows and understands his/her tax rights and obligations by the rules set by the tax authority.

### 1.1. Tax incentives and tax compliance

The government has implemented a range of strategies to ensure and enhance taxpayer compliance, with one such strategy being the provision of incentives. The government provides tax incentives

to taxpayers for their tax obligations. Types of tax incentives included exemptions from tax imposition, tax base reduction, tax rate reduction, and tax deferral, all of which are classified as tax holidays (9/PMK.03/2021).

Various tax incentive policies ease the burden on individuals or taxpayers and allow taxpayers to continue paying their tax obligations in economic difficulty to achieve the target of state revenues originating from tax revenues. Considering that meeting the set tax revenue target depends on taxpayer obedience in fulfilling their tax duty, taxpayer compliance must be explicitly proven. Klem and Van Parys (2009) found that a tax holiday applied for a more extended period is beneficial. However, tax incentives do not always affect taxpayers' behavior when carrying out their tax obligations. Harju et al. (2019) show no significant changes in entrepreneurs' behavior following a large reduction in VAT rates.

The relationship between incentives and the degree of taxpayer compliance with tax duties is explained by Heider's (1958) attribution theory, which Kelley (1973) later refined. Thus, attribution theory illustrates an impression-building process by studying social behavior based on situational or personal characteristics and how judgments are made about a specific individual. Attribution theory forms impressions by observing social behavior based on situational or personal factors and how people make decisions about someone. According to attribution theory, the perception within the individual, along with the impression formed from the tax agency's surrounding environment, influences the assessment of their taxes. Thus, taxpayer compliance is expected to increase

if taxpayers positively perceive government policy, such as providing tax incentives. The more positively taxpayers perceive the provision of these incentives, the more obedient they are to pay their taxes (Latief et al., 2020). Saputro and Meivira (2020), Meiryani et al. (2022), and Natariasari and Haryani (2023) also found that tax incentive policies increase taxpayers' compliance.

Ajzen's (1991) theory of planned behavior also explains the psychological determinants that impact taxpayers' adherence to their tax obligations. According to this theory, individual behavior to comply with or disobey tax regulations can be influenced by an individual's own (Benk et al., 2011; Marandu et al., 2015). The formation of an impression in an individual's mindset can influence the intention to do something. Confidence in the results obtained from his behavior, if he carries out his tax responsibilities, influences whether he will fulfill tax obligations. When a taxpayer believes that the tax, he pays is vital for the administration of the state, he will be motivated to fulfill his tax responsibility. Planned behavior clarifies the relationship between attitudes toward behavior, subjective standards, and perceptions of behavioral control on intentions and taxpayer behavior to comply (Sudiartana & Mendra, 2018).

Basri et al. (2023) and Suehendra et al. (2023) researched the determinants influencing taxpayer compliance for micro, small, and medium enterprises (MSMEs). They found that providing tax incentives to MSMEs can increase their compliance with tax payments. Additionally, the government's policy of providing incentives and tax amnesty has a favorable or beneficial effect on the willingness of taxpayers to pay taxes (Rahmawati & Yulianto, 2018). However, these incentives do not consistently result in increased taxpayer compliance (Sari et al., 2022).

## 1.2. Motivational posture and tax compliance

Another factor affecting taxpayers' inclination to adhere to tax legislation is their motivational posture. The theory of motivational postures was first introduced by Braithwaite (2003), who used motivational postures as a new approach to tax-compliance behavior. This motivational posture can help

understand the motives that come from taxpayers as a psychological approach to building a model of tax compliance. In other words, motivational posture is an expression of the attitude and mentality of individual taxpayers toward tax authorities and the applicable taxation system.

An individual's (taxpayer's) motivational posture is a mental attitude expressed by tax authorities regarding tax legislation, including the relevant tax structure and processes. A mental attitude reflected in individuals consists of two parts of orientation: those that reflect a positive and those that reflect a negative attitude (resistance or defiance to the tax system) (Braithwaite, 2003).

The motivational postures encompass five categories: commitment, capitulation, resistance, disengagement, and game-playing. Resistance, disengagement, and game-playing postures show negative motivational postures, while commitment and capitulation postures reflect positive ones (Braithwaite, 2003). Motivational posture combines ideas, attitudes, preferences, interests, and feelings that reveal an individual's feelings about a policy (Mangoting & Sadjarto, 2013). The motivational posture represents the social distance one tries to establish with tax authorities. Increasing social distance indicates an increase in individual dislike of authority, such as the gap between the taxpayers and the tax authority. This motivational posture is also a mental attitude of the taxpayer, which expresses the tax authorities' structure, system, and procedure of applicable taxation.

A positive orientation consisting of commitment and capitulation increases taxpayer compliance when carrying out tax obligations. Conversely, a negative-oriented motivational posture consisting of resistance, disengagement, and game-playing reduces taxpayer compliance. The orientation of the commitment motivational posture guides the taxpayer to act actively and consciously, following their desire to support the goals of the tax authorities.

Theoretically, different motivations result in varying levels of compliance (Braithwaite, 2003; Kirchler et al., 2008; Kirchler et al., 2014). Testing by separating each of the five components of the motivational posture for tax compliance was con-

ducted by Mangoting and Sadjiarto (2013). Their findings show that game-playing motivational posture factors affect individual taxpayer compliance when implementing tax compliance. Another finding is that the motivational posture of commitment affects taxpayer compliance (Utomo, 2015; Taufik, 2016).

Following the theory of motivational commitment, a taxpayer will want to be involved and act on the mission carried out by tax authorities or regulators as a tax collector from the community. These actions are performed deliberately. Thus, taxpayers with a commitment-motivation orientation will deliberately support tax authorities in collecting state revenues from taxes. This awareness and willingness will encourage other taxpayers to pay their tax duties correctly, increasing taxpayer compliance and the availability of tax benefits. Commitment-motivating attitudes ultimately boost taxpayer compliance, and taxpayers' commitment motivational postures favorably impact their compliance (Gangl et al., 2015; Ameldan Alchair & Prihatiningtias, 2023). Taxpayers committed to properly paying taxes will pay their taxes promptly to demonstrate high tax compliance.

Taxpayers with a capitulation orientation are individuals who accept various rules applied by the tax authority without feeling that they must be involved with its mission. Thus, the taxpayer has a posture orientation of commitment and capitulation and a higher level of compliance than taxpayers with resistance and disengagement motivational postures.

The capitulation motivation posture also shows that individuals are motivated to accept the various rules without feeling compelled to participate in the agency's mission. Capitulation illustrates that taxpayers can understand and accept that tax authorities are legitimate parties, causing them to accept the various stipulated rules. Taxpayers also realize that although the regulation is imperfect, it can still be implemented to some extent. Taxpayers with a capitulation motivation posture accept the various rules applied by the tax authorities without having to feel involved (Mangoting & Sadjiarto, 2013). Therefore, commitment and capitulation motivation postures reflect a positive orientation toward authority. Thus, if taxpayers adopt a capitulation

motivational posture, incentive policies provided by the government in the form of tax breaks will motivate them to be more compliant.

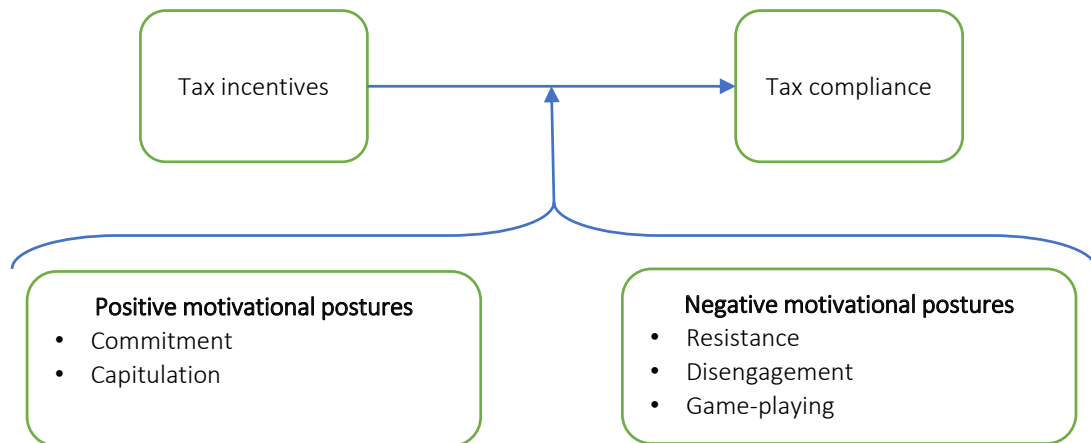
Taxpayers with resistance motivation show open resistance when tax authorities use their authority to deal with them. Meanwhile, the posture of disengagement and game-playing illustrates the nature of taxpayers who express more adamant opposition to the tax system. Taxpayers with a disengagement posture developed immunity against the authority of the tax authority. Taxpayers with a game-playing posture are more imaginative in avoiding applicable provisions or rules (Braithwaite, 2003).

The resistance motivation posture reflects the taxpayer's resistance to the tax authority, according to how the latter uses the said authority and attached instruments. Taxpayers with a resistance-motivation posture are concerned about whether tax authorities have good intentions toward them. They generally feel that tax authorities prefer to find their errors rather than help them correct them, causing other taxpayers to be more careful in dealing with tax authorities. These taxpayers also try to maintain their rights. According to Alm et al. (2012), taxpayers with resistance motivation are concerned about whether taxes are effectively used for community, public, or social benefits (Mangoting & Sadjiarto, 2013).

Taxpayers with a resistance-motivated posture often feel suspicious that some people are still not carrying out their tax obligations. This condition creates a sense of injustice among taxpayers who pay their taxes correctly and comply with applicable tax rules. Suppose the taxpayer perceives that the tax authorities are acting unfairly. In this case, this may lead to an escalation in taxpayer resistance, which, in turn, will trigger taxpayers' non-compliance in fulfilling their tax duties, such as paying taxes (Mangoting & Sadjiarto, 2013). Conversely, suppose taxpayers consider that the treatment of the tax authorities has been fair among taxpayers. In that case, their resistance motivation will decrease, so they will be more obedient in paying their taxes. If taxpayers feel that the government pays attention to their conditions, for example, by providing tax incentives, they are motivated to become compliant taxpayers.

Disengagement and game-playing postures describe a more serious resistance to the tax system.





**Figure 1.** Empirical model

The former involves psychological dissociation from the tax authorities. Individuals who exhibit this dissociation will build immunity to face tax authorities who want to lead them into the system. According to Braithwaite et al. (2007), taxpayers with this disengagement motivational posture will not cooperate if they feel that the tax authorities are unnecessarily harsh about them, which can lead to their indifference. The greater the taxpayer's disengagement, the more recalcitrant the taxpayer is to comply with tax duties.

Meanwhile, individuals with a game-playing posture are creative risk-takers who try to avoid the provisions or regulations that apply by playing the existing rules. These taxpayers practice tax avoidance by taking advantage of existing rules that they see as useful to fulfill the goals of certain parties and, therefore, try to find loopholes in tax regulations by exploiting the grey area of applicable rules to see which best benefits them. According to Feld and Frey (2007), taxpayers with game-playing characteristics receive incentives to pay smaller taxes because they do not disclose their entire income and do not have to pay their proper taxes. The more taxpayers play games, the less compliance they show. This aligns with Mangoting and Sadjiarto's (2013) argument that the game-playing posture influences taxpayer compliance.

## 2. AIMS AND HYPOTHESES

This study aims to investigate whether tax incentives affect micro, small, and medium enter-

prise taxpayer obedience as well as the moderating function of taxpayer motivational attitudes toward the effect of tax incentives on taxpayer compliance of micro, small, and medium enterprises in Pekanbaru (Figure 1). Whether the orientation of the taxpayer's motivational posture weakens or strengthens the relationship based on the literature review, the following hypotheses can be derived:

*H1: A government's tax incentive policy increases taxpayer compliance.*

*H2: A positive motivational posture moderates the effect of tax incentives on taxpayer compliance.*

*H3: A negative motivational posture moderates the effect of tax incentives on taxpayer compliance.*

## 3. METHODS

384 micro, small, and medium-sized firm taxpayers were included in the survey, and 254 of the 384 returned questionnaires were used for statistical analysis. The tax incentive questionnaire consisted of four question items: 13 questions about a positive motivation posture and 13 about a negative motivation posture. Each response was evaluated using validity and reliability tests to ensure that the instrument was accurate. Using Cronbach's alpha as a benchmark, it is possible to determine whether the data are trustworthy (Ghozali, 2016).

**Table 1.** Final sample data

Criteria	Total
Sample	384
Questionnaires distributed	384
Questionnaires not returned	130
Returned questionnaires	254

The study examined taxpayer compliance as the dependent variable, tax incentives as the independent variable, and positive and negative motivational postures as moderating variables. According to Gunadi (2013), taxpayer compliance is the ability to comply with the law without needing audits, in-depth investigations, warnings, threats, or the implementation of legal and administrative consequences. Tax incentives are programs offered to taxpayers to keep them motivated and inspired to fulfill their tax duties diligently. Four question items with five-point Likert scales were used to measure tax compliance and tax incentives.

Motivational posture is a social cue that people use to communicate with tax authorities and gauge their social proximity (Braithwaite et al., 2007). Motivational posture comprises five sub-postures: two positive-orientation motivational postures (commitment and capitulation) and three negative-orientation motivational postures (resistance, disengagement, and game-playing). The concept of commitment posture pertains to the extent to which the taxpayer wishes to feel involved in the mission of the tax authority as a regulator. Capitulation describes individuals who accept these stipulated rules without needing to feel involved with the tax authorities. Resistance is open to tax authorities. Disengagement refers to the cognitive and emotional detachment experienced by taxpayers in their interactions with tax author-

ities. Game-playing exhibits taxpayers' creative actions to evade provisions using pre-existing rules (Mangoting & Sadjarto, 2013). Eleven question items were used to measure positive motivational postures and nine questions for negative motivational postures, both with five-point Likert scales. Table 2 shows the indication of each motivational posture.

The first hypotheses was examined using multiple regression analysis, while the second and third hypotheses utilized moderated regression analysis (MRA).

The equation that was employed is

$$Y = \alpha + \beta_1 X + \varepsilon. \tag{1}$$

Three stages are used in the moderated regression analysis to ascertain the moderating variable's function (Ghozali, 2016). The equations for the second and third hypotheses' are shown below. The first step is examining the impact of each independent variable on the dependent variable:

$$Y = \alpha + \beta_1 X + \beta_2 Z + \varepsilon. \tag{2}$$

$$Y = \alpha + \beta_1 X + \beta_2 Z + \beta_3 X \cdot Z + \varepsilon. \tag{3}$$

where  $Y$  = Taxpayer Compliance,  $X$  = Tax Incentive,  $Z$  = Motivational Posture,  $\alpha$  = Constant variable, and  $\beta$  = Linear regression direction coefficient. The moderated regression analysis groups the moderator variables as follows:

- If equation (2)  $Z$  is significant and equation (3)  $X \cdot Z$  is not significant, variable  $Z$  is not a moderator variable. Rather, it is an independent, intervening, external, antecedent, or predictor variable.

**Table 2.** Indication of motivational postures

Variables	Category of Variables	Indication
Commitment	Positive motivational postures	Conscious taxpayer who feels involved with the mission of tax authorities as regulators (Utomo, 2015)
Capitulation	Positive motivational postures	A person who always receives various rules applied to him by the tax authorities without feeling involved with authority tax (Utomo, 2015)
Resistance	Negative motivational postures	There is open resistance against the tax authorities (Utomo, 2015)
Disengagement	Negative motivational postures	It involves psychological detachment from the tax authorities (Utomo, 2015)
Game-playing	Negative motivational postures	There is more imaginative behavior and practice for dodging terms with how to "play the rules" (Utomo, 2015)

- $Z$  is a pure moderator variable if equation (2)  $Z$  is insignificant and equation (3)  $X \cdot Z$  is significant.
- The variable  $Z$  is a homologizer equation if the variables  $Z$  in equations (2) and  $X \cdot Z$  in equation (3) are insignificant.
- If equation (2)  $Z$  and equation (3)  $X \cdot Z$  are significant, variable  $Z$  is a quasi-moderator (Gozali, 2016).

Bougie and Sekaran (2000), the reliability measuring indicator separates the dependability level based on the following standards. An alpha or r count of 0.8 to 1.0 indicated high reliability, 0.6 to 0.799 indicated acceptable reliability, and less than 0.6 indicated low reliability. The findings from evaluating the instrument's validity and reliability are displayed in Table 3.

According to the data, the instrument used has complied with validity and reliability requirements. The outcome of descriptive statistical tests are presented in Table 4.

### 4. RESULTS AND DISCUSSION

A validity test ensures that the instrument has measured the right phenomena. According to

Table 4 shows descriptive statistical data, which includes descriptions and interpretations of the mean, minimum, maximum, and standard devi-

**Table 3.** Validity and reliability

Variables	R-count	R-table	R-count > R-Table	Cronbach's Alpha	Result
Y1	.288	.1226	Valid	.932	Good
Y2	.232	.1226	Valid	.932	Good
Y3	.281	.1226	Valid	.932	Good
Y4	.377	.1226	Valid	.931	Good
X1	.129	.1226	Valid	.933	Good
X2	.188	.1226	Valid	.933	Good
X3	.023	.1226	Valid	.935	Good
X4	.049	.1226	Valid	.935	Good
Z1P	.574	.1226	Valid	.929	Good
Z2P	.599	.1226	Valid	.928	Good
Z3P	.757	.1226	Valid	.927	Good
Z4P	.699	.1226	Valid	.920	Good
Z5P	.749	.1226	Valid	.927	Good
Z6P	.781	.1226	Valid	.927	Good
Z7P	.805	.1226	Valid	.920	Good
Z8P	.701	.1226	Valid	.920	Good
Z9P	.768	.1226	Valid	.970	Good
Z10P	.782	.1226	Valid	.927	Good
Z11P	.724	.1226	Valid	.927	Good
Z12P	.805	.1226	Valid	.927	Good
Z13P	.701	.1226	Valid	.928	Good
Z1N	.768	.1226	Valid	.927	Good
Z2N	.782	.1226	Valid	.927	Good
Z3N	.724	.1226	Valid	.927	Good
Z4N	.732	.1226	Valid	.927	Good
Z5N	.722	.1226	Valid	.927	Good
Z6N	.639	.1226	Valid	.928	Good
Z7N	.661	.1226	Valid	.928	Good
Z8N	.695	.1226	Valid	.927	Good
Z9N	.748	.1226	Valid	.927	Good
Z10N	.342	.1226	Valid	.931	Good
Z11N	.410	.1226	Valid	.930	Good
Z12N	.326	.1226	Valid	.931	Good
Z13N	.404	.1226	Valid	.930	Good
Z14N	.219	.1226	Valid	.932	Good
Z15N	.297	.1226	Valid	.933	Good
Z16N	.201	.1226	Valid	.933	Good



**Table 4.** Descriptive statistics

Variables	N	Minimum	Maximum	Mean	Std Deviation
Tax Compliance	254	2.25	5.00	4.1201	0.49787
Tax Incentives	254	2.00	5.00	4.3563	0.46680
Positive PM	254	2.00	5.00	4.3468	0.47571
Negative PM	254	3.11	5.00	4.3703	0.34767

Note: PM = Motivational posture.

ation. A statistical description is a description of data analysis based on the answers given by respondents to the questionnaire. The data show the standard deviation value for each variable, which is lower than the average value. These results show quite good data.

The Kolmogorov-Smirnov one-sample test was used to conduct a data normality test (Table 5). The test results show a significance value of 0.200, which exceeds 0.05. Thus, the data exhibits a normal distribution.

**Table 5.** Normality test result

		Unstandardized Residual
N		254
Most Extreme Differences	Absolute	0.049
	Positive	0.047
	Negative	-0.049
Test Statistic		0.049
Asymp.Sig.(2-tailed)		0.200

A classical assumption test was conducted to achieve data analysis results that satisfy the test requirements. Multicollinearity, heteroscedasticity, and autocorrelation tests were among them. Table 6 presents the outcomes of the data multicollinearity test. The VIF value for each variable is shown in Table 6 to illustrate whether multicollinearity occurred.

According to Table 6, no multicollinearity issues are found because the independent variable possesses a tolerance value of more than 0.10 and a VIF value below 10. The independent variables do not correlate with each other. The Durbin-Watson

**Table 6.** Tolerance and VIF value

Model	Unstandardized Coeff		Unstandardized Coeff	Collinearity Statistics Tolerance	VIF	Durbin-Watson
	B	Std Error				
(Constant)	2.521	0.203	-	-	-	-
X	0.382	0.048	0.449	1.000	1.000	1.510

Note: X = Tax Incentives.

value of 1.510, within the range of DW values from -2 to +2, indicates no autocorrelation. The outcomes of the heteroscedasticity test, ascertained through a scatterplot graph, are shown in Figure 2.

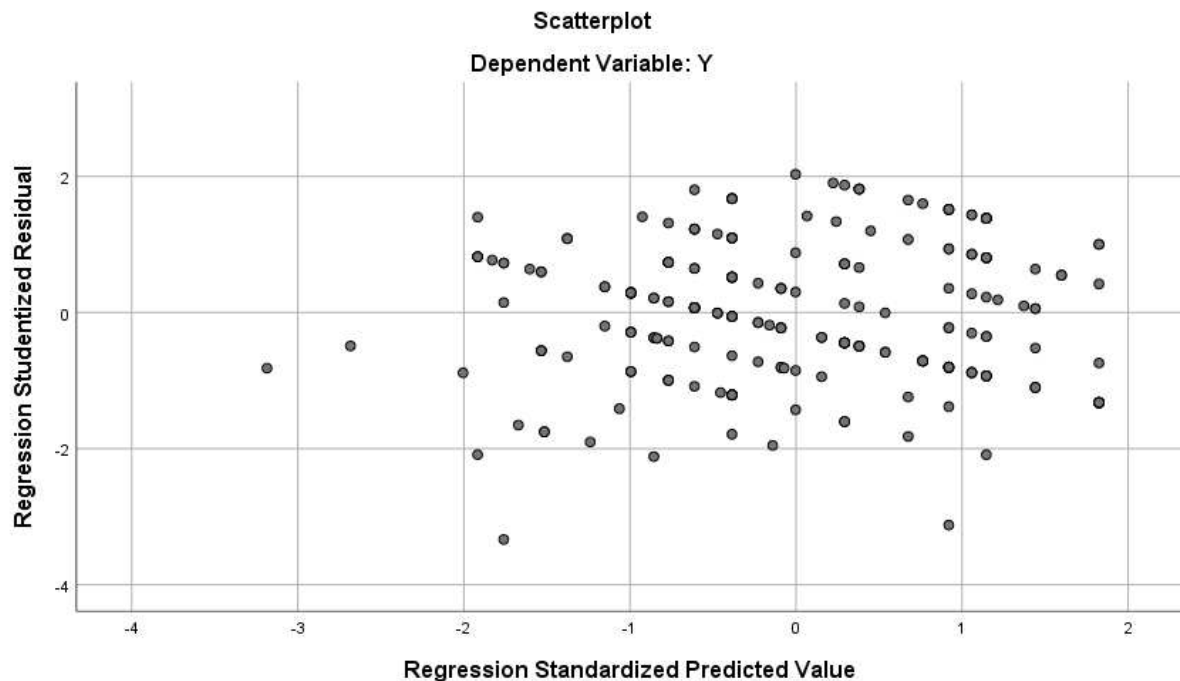
Figure 2 reveals that the data extend above and below the Y-zero axis's point and that the points have no discernible pattern. This indicates that the model is not heteroscedastic and that the sample variance between residual and other observations is uniform and effective.

**Table 7.** Hypothesis testing result

No.	Hypotheses	Beta value	P-value
1	H1; X	0.449	0.000
2	H2Eq: ZP	0.093	0.480
3	H2Eq3: XZP	1.899	0.001
4	H3Eq2: ZN	-0.069	0.541
5	H3Eq: XZN	-2.480	0.001

Note: X = Tax Incentives; ZP = Positive motivational posture; ZN = Negative motivational posture, and Eq = equation.

Table 7 shows the partial influence of tax incentives on taxpayer obedience. The p-value for the association between government-provided tax incentives and compliance by taxpayer is 0.000, which is below the threshold of 0.05, and it can be concluded that the first hypothesis is accepted. Therefore, government incentives offered through the Directorate General of Taxes impact taxpayer obedience. A positive beta value means that the better the incentives are, the more likely people are to comply with their tax obligations. This is because the provision of these incentives is very beneficial for taxpayers. Taxpayers will be motivated to fulfill their tax duties if they believe the



**Figure 2.** Scatter plot

government's incentives provided when they face financial difficulties are particularly helpful. They will also be compelled to fulfill their obligations properly if the terms and conditions for obtaining these incentives are comprehensive enough. If taxpayers understand the process of achieving these incentives, they will be motivated to take advantage of them. Feeling that the incentives ease their burden also affects their likelihood of carrying out their tax obligations. This result is consistent with Latief et al. (2020), Saputro and Meivira (2020), and Naitili et al. (2021), who discovered that the government's tax incentives had a favorable impact on taxpayer compliance.

Taxpayers' motivation to comply with their tax duties will increase as they become more aware of the advantages of receiving incentives, which will affect taxpayer compliance. Rahmawati and Yulianto (2018) also discovered that offering incentives through a tax amnesty favors taxpayer compliance, suggesting that the more valuable the incentives, the greater the MSME taxpayer cooperation. The more thoroughly these regulations are implemented, the more compliant taxpayers will be in fulfilling their tax duties. Taxpayers' perception of justice following the deployment of these incentives may also spur greater compliance.

The second hypothesis investigates whether an individual's motivational posture can influence how tax incentives (X) affect tax compliance (Y). Positive orientation's motivating postures include those of commitment and capitulation. Table 7 shows the p-value for the interaction between incentives and positive orientation motivational posture (ZP) is 0.001. In contrast, the p-value for positive orientation motivational posture (ZP) is insignificant at 0.480. As a result, the second hypothesis is accepted, meaning the positive-oriented motivating posture moderates tax incentives' effect on taxpayer compliance. A higher beta score means that a positive motivational posture improves the influence of tax incentives on compliance among MSME taxpayers.

Taxpayer compliance also rises in proportion to how beneficial the government's tax incentives are. The positive orientation of the taxpayer's motivational posture boosts the taxpayer's compliance, which has already grown owing to the availability of these incentives. Taxpayers with a positive orientation and motivational posture are committed to carrying out their tax obligations, such as paying taxes because they think they must be carried out. Therefore, they are compelled to make proper tax payments. These taxpayers feel that paying taxes according to the rule is necessary and that

doing so will benefit everyone. Taxpayers with capitulation motivation will feel a mutually influential association between themselves and the tax authorities. If the taxpayer's reasoning matches that of the tax authorities, the latter will help and serve them well, even when they make mistakes. However, they still have commitments, even if the tax authorities do not help them. They will continue to fulfill their tax obligations because it is their responsibility as taxpayers. Therefore, if the motivational posture of the taxpayer is positively oriented, a commitment and responsibility toward taxpayer obligations will be in place. The motivational orientation of the taxpayer is thus positive. It would affect the degree of taxpayer compliance if the prior provision of tax incentives boosted taxpayer compliance to fulfil their tax responsibilities. Utomo (2015) and Taufik (2016) found that the posture of motivational commitment affects individual taxpayer compliance.

The third hypothesis investigates the moderating role of negative motivational orientation (ZN) on the relationship between tax incentives (X) and tax compliance (Y). Postures of motivation have a negative orientation, characterized by resistance, disengagement, and game-playing. Table 7 shows the p-value for the interaction between tax incentives and negative motivational posture (ZN) is 0.001. In contrast, the p-value for negative motivational posture (ZN) is insignificant at 0.541, and the third hypothesis is accepted. These indicate that hostile motivational postures play a moderating role in the association between tax incentives and compliance behavior among taxpayers. According to the negative beta value, the impact of tax incentives on MSME taxpayer compliance is diminished by the

negative motivating posture (i.e., the more valuable the tax incentives provided by the government, the more their compliance will also increase). If the orientation of the taxpayer's motivational posture is negative, taxpayer compliance will likewise decrease, which previously increased owing to the provision of these incentives. Taxpayers with a hostile motivational posture will always have a negative perspective on the tax authorities. The taxpayers assume that if they are not cooperative with the fiscal authorities, they will act unnecessarily harshly against them. They also perceive tax officials as more likely to prefer catching taxpayers who make mistakes than helping taxpayers correct their mistakes. If taxpayers make a mistake, they will forever be considered guilty.

The disengagement orientation of taxpayers will also lead them to perceive that complying with tax regulations is a complicated matter and, thus, impossible to implement. Taxpayers with a motivational posture of game-playing orientation will always be challenged to find opportunities that can be exploited through the taxation system to minimize tax-related payments. Taxpayers who have a game-playing mindset, like challenges to avoid or pay less tax, rarely consider how their choices may affect them in the future. Thus, if the taxpayers' motivational posture is hostile or defiant, the effectiveness of the government tax incentives in enhancing taxpayer compliance will be diminished. Mangoting and Sadjiarto (2013) found that motivational game-playing posture factors affect individual taxpayer compliance when implementing tax compliance. Sadjiarto et al. (2020) also found that resistance and game-playing postures impacted SME taxpayer tax compliance.

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## CONCLUSION

This study investigates whether offering incentives through the Directorate General of Taxes will promote taxpayer compliance among micro, small, and medium enterprises (MSMEs) to meet their tax requirements in Indonesia. The results of the study indicate that tax incentives affect taxpayer compliance and that the beta value is positive. This study also indicates that providing incentives will increase taxpayer compliance because taxpayers feel that incentives benefit them. That is, the more valuable these incentives are for taxpayers, the more obedient they will be to paying taxes.

This study also found that positive and negative motivational postures serve as a moderating factor in the association between tax incentives and tax compliance. The orientation of the motivational posture can affect how tax incentives increase taxpayer compliance. A positive orientation of motivational pos-

ture will further increase the efficacy of tax incentives in increasing taxpayer compliance. Meanwhile, the negative motivational posture does the complete opposite. The more perceived utility of the tax incentives provided by the government, the more obedient the taxpayer is to pay his taxes. Taxpayers' motivational posture, which is positively oriented, will further increase their compliance. Conversely, their negatively oriented motivational posture will reduce the role of tax incentives in increasing their compliance to pay taxes.

The Directorate General of Taxes may consider offering taxpayer incentives to enhance taxpayer compliance with paying their taxes. Additionally, the Directorate of General Taxes must improve taxpayer perceptions to foster a positive motivation posture, further increasing their compliance to fulfill their tax obligation and adhere to their tax duties. It can effectively enhance compliance among taxpayers by providing tax incentives, not by forcing them to comply.

The findings are anticipated to offer information that can be used as a basis for assistance, consideration, and contributions when increasing taxpayer compliance in meeting their tax duties. This study contributes to the recent literature on tax motivation and compliance. Theoretically, this study implies that the existing taxpayer compliance model cannot explain taxpayers' obedient behavior. Therefore, this study suggests developing a taxpayer compliance model by considering the taxpayer's motivational posture. This study also suggests that policymakers – in this case, the government – consider policy-making to increase taxpayer compliance.

This paper has limitations. Even though it meets the minimum sample requirements, only 254 respondents' answers were used as data, impacting generalizations. Moreover, given the weakness of studies that use questionnaires, it cannot be separated from the problem of non-response bias. Future research can expand the object of their analysis to industries other than micro, small, and medium enterprises because they are also potential contributors to encouraging the realization of tax revenue targets.

## AUTHOR CONTRIBUTIONS

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